

LOCAL OPTION SALES TAX FLEXIBILITY

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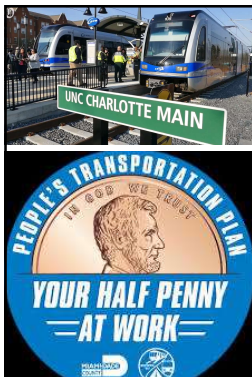
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OVERVIEW

- **Objective:** Counties seek additional revenue for various capital projects, such as school construction and renovations, infrastructure upgrades, road construction and street improvements, dredging and beach nourishment, and other purposes, such as economic development.
- **Issue:** Most counties are not levying their maximum local sales tax authority.
- **Reason?**
 - 42 counties can't access a portion of their local sales taxing authority because of use restriction.
 - 34 counties have had failed attempts to enact the unrestricted tax and 24 counties have never attempted to enact the unrestricted tax.
- **Proposed Solutions:**
 - Unrestrict a portion of the local sales and use tax.
 - Allow counties to put a specified purpose on the ballot.



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ARTICLE 43 USE RESTRICTION

- Article 43 of Chapter 105 authorizes a local sales and use tax for financing public transportation systems.
- "Public transportation system" - Any combination of real and personal property established for purposes of public transportation, but does not include streets, roads, or highways.
- Rate of tax varies based on county:
 - $\frac{1}{2}\%$ - Durham, Forsyth, Guilford, Mecklenburg, Orange, and Wake.
 - These counties may only levy $\frac{1}{4}$ -cent for this purpose; no option to levy $\frac{1}{4}$ -cent.
 - Counties currently levying are Durham, Mecklenburg, Orange, and Wake.
 - $\frac{1}{4}\%$ - All other counties (94)
 - No counties levying

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OBJECTIVE #1: SHIFT OR UNRESTRICT UNUSED TAXING AUTHORITY

Recent legislative attempts

- 2013-2014 Session: H1224
- 2015-2016 Session: H97, S605
- 2017-2018 Session: H333, S166
- 2019-2020 Session: H667, S681

These attempts would have done the following:

- Create an alternative "restricted use" local sales tax for public education.
- Shift unused taxing authority under Art. 43 to Art. 46, which would provide additional general purpose revenue.
- Provide a combination of both, with a maximum rate limitation.

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REFERENDUM

One Quarter Cent Sales Tax

Local sales and use tax at the rate of one-quarter percent (0.25%) in addition to all other State and local sales and use taxes.

- ☐ For
- ☐ Against

BALLOT QUESTION RESTRICTION

- Article 46 authorizes levy of 1/4-cent local sales and use tax if approved in a referendum; 42 counties levy this tax.
- Ballot question is set in statute and cannot be modified without legislation.
- Current question does not specify purpose and, therefore, tax proceeds may be used for any public purpose.

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OBJECTIVE #2: SPECIFY BALLOT QUESTION

Recent legislative attempts to provide specified purpose in ballot question:

- 2013-2014 Session: 3 local bills
- 2015-2016 Session: 5 local bills
- 2017-2018 Session: 6 local bills
- 2019 Session: 10 local bills

Examples of desired purposes:

- Public education/school construction
- Infrastructure upgrades/maintenance
- Beach nourishment/dredging
- Road construction/street improvements
- Economic development
- Public safety

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POLICY QUESTIONS: USE RESTRICTION ISSUE



Do you want to want to "unrestrict" a portion of the currently authorized local sales tax rate?

- Who would benefit? >> The 42 counties that are already levying the 1/4-cent under Article 46.
- What are the options?
 - Shift taxing authority to Art. 46 to be used for any general purpose.
 - Create additional restricted use taxing authority, e.g., new local sales tax article for education purposes.
 - Do both and give counties the ability to choose.

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POLICY QUESTIONS: USE RESTRICTION ISSUE



Do you want to keep the current maximum rates? Do you want to provide same maximum for all counties?

- 6 counties can levy 2.75%; 94 counties can levy 2.5%. Durham and Orange are at the maximum and would not have any additional authority if current maximum maintained.
- Forsyth and Guilford could levy additional 1/2-cent if use restriction removed, but all other counties could only levy add'l. 1/4-cent. (But note that Forsyth and Guilford are not levying 1/4-cent under Art. 46).

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POLICY QUESTIONS: BALLOT QUESTION



Do you want to allow a specified purpose on ballot?

- If so, should counties be able to designate a specified purpose or should General Assembly identify a list of permissible purposes from which counties may choose?
- How should those purposes be defined?



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POLICY QUESTIONS: BALLOT QUESTION



Do you want to create any limitations or oversight mechanisms if there is a specified purpose on the ballot?

- Require that counties use funds only for stated purpose through non-supplant language or other earmarking?
- Require reporting of the use of funds?
- Require (or allow) a sunset?
- Provide a process for modifying specified purpose after tax has been levied?

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WHAT IS THE GOAL?

- To provide counties with more revenue?
- To make it easier to enact the tax?
- To provide more transparency to voters?
- To hold counties more accountable?



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GEORGIA

- LOST – Local Option Sales Tax
- SPLOST – Special Purpose Local Option Sales Tax
- ESPLOST – Educational Special Purpose Local Option Sales Tax
- TSPLOST – Transportation Special Purpose Local Option Sales Tax
- MOST – Municipal Local Option Sales Tax
- HOST – Homestead Option Sales Tax



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QUESTIONS?
